



**FOOD AND AGRICULTURE ORGANIZATION
OF THE UNITED NATIONS**

GUIDELINE II



CLEARANCE PROCEDURES FOR TIMBER IMPORTED INTO INDONESIA FOR TSUNAMI RECONSTRUCTION



Guideline I



**Information
Note I**



**Information
Note II**





GUIDELINE II



This guideline was produced jointly by the Food and Agriculture Organization of the United Nations (FAO), the Ministry of Forestry (MoF) of Indonesia and the Provincial Forest Service (DISHUT) of Nanggroe Aceh Darussalam (NAD) under the "Forestry Programme for Early Rehabilitation of Asian Tsunami Affected Countries" (OSRO/GLO/502/FIN), financed by the Government of Finland.

This guideline is part of a series of guidelines and information notes prepared to assist with the procurement and use of suitable timber for rehabilitation and reconstruction in NAD and Nias. They are:

- Guideline 1 : Required Documentation for Transportation of Timber within Indonesia for Tsunami Reconstruction;
- Guideline 2 : Clearance Procedures for Timber Imported into Indonesia for Tsunami Reconstruction;
- Information Note 1 : Procurement of Timber for Tsunami Reconstruction in Indonesia; and
- Information Note 2 : Timber Usage for Tsunami Reconstruction in Indonesia.

These documents are available at: <http://www.fao.org/forestry/site/tsunami/en>

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May 2007



Introduction

The purpose of this guideline is to help non-governmental organizations (NGOs), institutions, and agencies understand the clearance procedures for importing timber into Indonesia to support the rehabilitation and reconstruction programme in Nanggroe Aceh Darussalam (NAD) Province and Nias. By understanding timber clearance procedures, the processes to access imported timber for the reconstruction programme can be accelerated.

Scope of the guideline

The guideline outline procedures required for clearance of imported timber from arrival of the vessel to the release of the timber. This guideline follows a step-by-step process that describes how to successfully complete timber clearance procedures at the port.

Regulations relating to timber clearance procedures

- Customs Law of the Republic of Indonesia Number 10 (1995);
- Customs Law of the Republic Indonesia Number 17 (2006) concerning revision of Customs Law of the Republic of Indonesia Number 10 (1995);
- Forestry Act of the Republic of Indonesia Number 41 (1999);
- Minister of Finance Decree № 144/KMK.03/1997 concerning free from import taxes of all gifted, sent, imported goods for religious, good works, charitable, and cultural purposes;
- Minister of Finance Decree № 231/KMK.03/2001 concerning free from Value Added Tax (PPN) and Luxury Goods Value Added Tax (PPnBM) for all gifted, sent, imported goods for religious, good works, charitable, and cultural purposes;
- Minister of Finance Decree № 89/KMK.04/2002;
- Minister of Forestry Decree № P.55/Menhut-II/2006 concerning Administration System of Forest Products from State Forest;
- Minister of Forestry Decree № P.63/Menhut-II/2006 concerning revision of Minister of Forestry Decree № P.55/Menhut-II/2006 on Administration System of Forest Products from State Forest;
- Director General of Customs and Excise Number KEP-07/BC/2003 concerning Guidelines for Customs Procedure in Importation;
- Letter of Director General Customs and Excise Number S-573/BC/2005 concerning Settlement of Importing Goods for National Calamity in NAD Province and its surrounding area after the end of the Emergency Response Phase;
- Letter of Director General Customs and Excise S-803/BC/2005 concerning on Re-statement on the settlement of importing goods for national calamity in NAD Province and its surrounding area after the end of the Emergency Response;

Administration of timber importation

All goods, including timber coming into Indonesia, must be cleared through Customs. Goods are subject to customs duty and other taxes related to import unless specifically exempted from duty by law. International organizations that have a Memorandum of Understanding (MoU) with the Government of Indonesia are exempt from import duties and import taxes (Minister of Finance Decree Number 89/KMK.04/2002).

Furthermore, all gifts and imported goods for religious, good-will, charitable, and cultural purposes are exempt from customs and import duties (Minister of Finance Decree Number 144/KMK.03/1997). The Minister of Finance Decree Number 231/KMK.03/2001, article 2, states that all gifts and imported goods for religious, good-will, charitable, and cultural purposes are exempt from Value Added Tax (PPN) and Luxury Goods Value Added Tax (PPnBM).

Since imported timbers for NAD Province and Nias rehabilitation and reconstruction are classified as donated materials that support the assistance programme, all import duties and taxes on timber importation should be exempt (refer to Letter of Director General Customs and Excise S-803/BC/2005 concerning on Re-statement on the settlement of importing goods for national calamity in NAD Province and its surrounding area after the end of the Emergency Response).

Step 1 : Pre-entry procedure prior to clearance

When imported products are delivered to Medan (Belawan), the importer is required to have importation documents including an invoice, package list, Bill of Lading (B/L), letter of Free Terminal Handle Cost, and Certificate of Inspection/Gift Certificate/Shipping Mark provided by the exporter. These documents are required for clearance purposes. The importer is informed when the vessel arrives at the port of entry.

A general declaration covering all cargo and supplies must be provided to the Customs and Excise Office. The information required in the declaration is as follows :

- name and flag of the transportation vessel and also the name of the captain;
- country of origin and place(s) of loading/departure;
- quantity (by weight and cubic volume), marking, numbering and description of the packaged goods;
- type and quantity of any unpackaged goods.

The goods may not be landed legally until the importer or appointed agent has completed these procedures.

After submitting a general declaration, the goods are allowed to be deposited in temporary storage (sheds or open spaces) allocated by the Customs and Excise Office at the port of entry for a maximum period of two months, commencing from the date of unloading. However, in Tanjung Priok port of entry, the maximum period of temporary storage is only one month. Goods not cleared within the specified time will be treated as unclaimed goods, which the Customs and Excise Office is empowered to remove, destroy, re-export or sell by auction.

Step 2 : Import declaration (PIB)

Goods may be declared to the Customs and Excise Office by the importer or by an agent¹ appointed to act on behalf of the importer. The agent, in order to obtain clearance of goods, must perform the following :

¹ Clearance agents or appointed agents are known as “service companies for customs clearance” and are registered with the Customs and Excise Office.

- lodge the importer declaration (PIB), together with relevant supporting documents including the commercial invoice, waybill or Bill of Lading, packing list, shipping mark, etc;
- pay import duties and taxes (in the case of donated materials for NAD and Nias rehabilitation and reconstruction, the payment of import duties and taxes are exempted); and
- ensure the accuracy for the particulars in the PIB, such as classification or HS/Customs code, customs value, etc.

The declaration must be made on an “Import Declaration” (PIB) form, which should be lodged at the Customs and Excise Office during office hours.

The importer uses the Bill of Lading to obtain a delivery order from the shipping company holding the goods. The delivery order, together with supporting importation documents, is used to gain an SPPB (*Surat Persetujuan Pengeluaran Barang*, a letter of approval for the release of the goods). The importer also submits the letter of Free Terminal Handle Cost to the Customs and Excise Office in order to obtain a waiver for the unloading costs at authorized piers and approved landing places.

In order to obtain the SPPB, the importer has to complete and submit the PIB. The PIB requires the following information :

- name, occupation and address of the appointed agent;
- name, occupation and address of the importer;
- name of the carrier;
- country of origin;
- place where the goods are to be deposited (sheds, open spaces, warehouse, etc); and
- quantity and description of the goods for the purpose of classification and valuation.

The completed PIB must be attached with other supporting documents, including the original invoice, original package list, original Bill of Lading, copy of letter of Free Terminal Handle Cost, Certificate of Inspection, Gift Certificate/Shipping Mark, and a letter for duty and tax exemption issued by Ministry of Finance. This letter is normally issued by the Ministry of Finance, but can also be issued by the Bureau of Reconstruction and Rehabilitation for NAD and Nias (BRR). The PIB and other supporting documents are submitted to the Customs and Excise Office in order to obtain a SPPB.

The submission of the PIB can be done either manually or electronically. The PIB Documentation is downloadable from the Directorate General of Customs and Excise website (www.beacukai.go.id). The importer is also able to use “appointed agents” to complete and submit the PIB.

Step 3a : Examination of imported goods

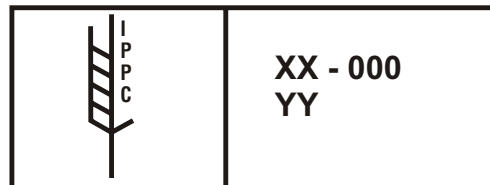
According to the Food and Agriculture Organization of the United Nations (FAO) International Standards for Phytosanitary Measures (Publication № 15, March 2002)² regarding guidelines regulating wood packaging material in international trade, any wood packaging material such as pallets, dunnage³, crating, packing blocks, drums, cases, load boards, pallet collars, and

² FAO, 2003. International Standards for Phytosanitary Measures: Guidelines for regulating wood packaging material in international trade. Publication № 15. Rome, Italy.

³ Wood packaging material used to secure or support a commodity, but which does not remain associated with the commodity.

skids are possible pathways for the introduction and spread of pests. Where wood packaging material does not carry a required phytosanitary mark, action may be taken in the form of treatment, disposal or refused entry unless other bilateral arrangements are in place. Importers need to know whether imported timbers have passed phytosanitary inspections before the products are shipped.

The mark shown below certifies that wood packaging material has been subjected to an approved measure.



The mark should include, at minimum, the following:

- symbol;
- ISO two-letter country code followed by a unique number assigned by the National Plant Protection Organization (NPPO) to the producer of the wood packaging material. The producer is responsible for ensuring that appropriate wood is used in constructing packaging materials and is properly marked;
- IPPC abbreviation for the approved measure used (e.g. Heat Treatment (HT), Methyl bromide (MB)).

Markings should be:

- according to the model shown above;
- legible;
- permanent and not transferable; and
- placed in a visible location, preferably on at least two opposite sides of the article being certified.

The use of red or orange should be avoided since these colours are used in the labeling of dangerous goods.

Recycled, remanufactured or repaired wood packaging material should be re-certified and re-marked. All components of such material should be treated.

Shippers are encouraged to use appropriately marked wood for dunnage.

Step 3b : Payment of duty

Payment of duty and taxes for imported goods should be done through foreign exchange banks. Timber imported for NAD Province and Nias reconstruction and rehabilitation are exempt from import duties and taxes (such as Value Added Tax (PPN), Luxury Goods Value Added Tax (PPnBM), and Income Tax/PPh)⁴. Obtaining the letter for exemption from duties and taxes from the Ministry of Finance may be a lengthy process, however obtaining the exemption letter from BRR's *Tim Terpadu* desk may help speed up the process.

⁴ Refer Minister of Finance Decree No 144/KMK.03/1997 and Minister of Finance Decree No 231/KMK.03/2001 (article 2).

Step 4 : Release of goods

In principle, imported goods should be released immediately. However, if an offence is detected, a thorough re-examination will be carried out by the Customs and Excise Office.

Once a PIB has been completed, the document is submitted to the Customs and Excise Office for physical and administrative assessment and verification⁵. This process is required in order to obtain a letter of approval for the release of goods. The letter is known as an SPPB. The process of assessment covers administration and checking of documents. Verification confirms that products come from legal sources and meet obligatory ecological standards (labels from timber/forest certification bodies such as FSC or others). The Terminal Container Unit Office (or *Unit Terminal Peti Kemas* - UTPK) must re-check the goods (based on SPPB letter) before they are released to the importer. When re-checking has been carried out, the UTPK issues a letter of handover (*Surat Penyerahan Peti Kemas* - SP2) to the importer. The letter is used by the importer to clear the goods from the Customs And Excise Office.

Ministry of Forestry regulations № P. 55/Menhut-II/2006 states that imported timber does not require timber transportation document (SKSKB). However, during the transportation from Belawan to Banda Aceh, the importer must have the waybill, SPPB, SP2, PIBT, copy of invoice, copy of gift certificate/shipping mark, copy of certificate of inspection, a letter from P3KB⁶, and a letter of recommendation from BRR's *Tim Terpadu* desk for transportation purposes. These documents are necessary in order to prove to local authorities that products imported are for rehabilitation and reconstruction in NAD Province and Nias. Steps to complete timber import clearance procedures are shown in Figure 1.

⁵ Assessment and verification is the joint responsibility of the Customs officials and Forestry officials (P3KB).

⁶ P3KB is a government official licensed by the Ministry of Forestry to assess timber.

For further information, please contact:

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Figure 1. Steps to complete timber import clearance procedures

